

Message Text

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15

ACTION OPIC-06

INFO OCT-01 ARA-06 ISO-00 EB-07 L-03 AID-05 TRSE-00

CIAE-00 INR-07 NSAE-00 COME-00 /035 W

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R 201816Z SEP 76

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 1603

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 6746

E.O. 11652: GDS

TAGS: EINV, EC

SUBJECT: OPIC PROGRAMS - GALO MONTANO DEMARCHE

REF: STATE 229982

1. I AGREE WITH OPIC'S POSITION THAT SUBSTANTIAL PROGRESS
TOWARD RESOLUTION OF THE ADA PROBLEM SHOULD CONDITION
OPIC'S WILLINGNESS TO MOVE FORWARD WITH PROGRAMS FOR
ECUADOR, BUT I AGREE WITH CERTAIN RESERVATIONS:

A. MY FIRST RESERVATION CONCERNS THE PROPRIETY OF
USING PROSPECTIVE OPIC PROGRAMS AS A "CARROT" FOR THE GOE
TO TAKE FAVORABLE ACTION RE THE ADA CASE; WHAT WE VIEW AS
A CARROT THE GOE IS MORE LIKELY TO VIEW AS A "STICK" AND
THUS AS STILL ANOTHER EFFORT ON OUR PART TO RESORT TO
"ECONOMIC COERCION."

B. MORE FUNDAMENTALLY, I AM NOT SURE WE HAVE TO
RESORT TO USING THIS CARROT/STICK; THE GOE APPEARS TO BE
TRYING TO RESOLVE THE ADA PROBLEM, AND THE GOE'S KEY
DECISION-MAKER IN THIS MATTER, MINISTER OF NATURAL RESOURCES
VARGAS, HAS ALREADY INDICATED HIS WILLINGNESS TO GO ALONG
WITH ALMOST ANY MUTUALLY SATISFACTORY ARRANGEMENT WORKED
OUT BY NORTHWEST WITH ADA.

2. ACCORDINGLY, I BELIEVE THAT OUR STRATEGY SHOULD BE:

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A. USE THE CARROT/STICK FOR THE TIME BEING, BUT AS GENTLY AS POSSIBLE. SPECIFICALLY, I PROPOSE THAT IN OUR RESPONSE TO THE MINISTER WE SHOULD REFRAIN FROM DIRECTLY ASSERTING THAT SUBSTANTIAL PROGRESS TOWARD RESOLUTION OF THE ADA PROBLEM IS A "PRECONDITION" FOR OPIC TO MOVE FORWARD WITH PROGRAMS, AND INSTEAD WE SHOULD MERELY STATE THAT SUCH FORWARD MOVEMENT IS DIFFICULT AT PRESENT IN VIEW OF PROBLEMS FACING OPIC BECAUSE OF THE UNRESOLVED ADA PROBLEM. OUR RESPONSE SHOULD PERHAPS ALSO DEPICT THE ADA PROBLEM AS BLOCKING PROGRES ON OPIC'S GRANTING POLITICAL RISK INSURANCE BUT NOT (REPEAT NOT) ON OPIC'S GRANTING ITS VARIOUS OTHER FORMS OF ASSISTANCE.

B. BE PREPARED TO DROP THE CARROT/STICK APPROACH AS SOON AS THERE ARE DEFINITIVE, FAVORABLE ACTIONS TO RESOLVE THE ADA PROBLEM. SPECIFICALLY, I PROPOSE THAT OUR RESPONSE TO MINISTER MONTANO SHOULD SAY WE ARE WILLING TO PROCEED IMMEDIATELY TO DRAFT AN EXCHANGE OF NOTES RE INVESTMENT GUARANTEES BECAUSE WE ASSUME THAT THE GOE WILL BE PROCEEDING TO RESOLVE THE ADA PROBLEM AS PROMPTLY AND EFFICACIOUSLY AS POSSIBLE; AND OUR RESPONSE SHOULD GO ON TO SAY THAT WE STAND READY TO CONCLUDE THE EXCHANGE OF NOTES UPON THE INITIATION OF DEFINITIVE ACTION TO RESOLVE THE ADA PROBLEM. WE SHOULD USE THE CARROT/STICK APPROACH TO GOAD THE GOE TOWARDS THE RIGHT DIRECTION, BUT WE SHOULD NOT USE IT TO TRY TO DRIVE THE GOE TO THE VERY END OF THE ROAD LEADING TO RESOLUTION OF THE ADA PROBLEM.

3. I REQUEST PROMPT AUTHORIZATION FROM OPIC AND THE DEPARTMENT TO RESPOND TO MINISTER MONTANO ALONG THE LINES LAID OUT ABOVE.
BLOOMFIELD

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